

**STATE OF NEW HAMPSHIRE**  
**INTER-DEPARTMENT COMMUNICATION**

**FROM:** Consultant Committee  
**SUBJECT:** ACEC Salary Benchmark (Cap)

**DATE:** March 2, 2016  
**AT:** Dept. of Transportation

**TO:** Victoria F. Sheehan  
Commissioner

**Through:** William J. Cass, PE *WJC* 3/14/16  
Assistant Commissioner

**Through:** Christopher M. Waszczuk, PE *CMW* 3/11/16  
Deputy Commissioner

*APPROVED*  
*[Signature]* 3/16/16

**Return to:** William J. Oldenburg, PE  
Chairman, Consultant Selection Committee

**FILE:** Consultant Master File  
in Highway Design

Based on a proposal submitted by ACEC-NH, and with the support of the Consultant Selection Committee, we are seeking approval to increase our maximum direct labor hourly rate from \$50.00 per hour to \$60.00 per hour.

Over the last several months the firms representing ACEC-NH have gathered data and presented salary information from the national, regional and local levels. On January 11, 2016 the ACEC-NH group presented their request to the Front Office for consideration. As a result of that presentation the Commissioner asked the Consultant Selection Committee to review the information and make a recommendation for consideration by the Front Office.

The salary cap was last increased in May 2002, when the cap was increased from \$45 per hour to \$50 per hour. In June 2008, a proposed increase from \$50 per hour to \$60 per hour was denied (see attached). Another attempt in 2012 to increase the cap from \$50 per hour to \$55 per hour was brought forward to the Front Office and then rescinded from consideration by ACEC-NH due to the economy at the time and the threat that several hundred DOT employees were at risk of being laid off due to legislative budget cuts.

The data from ACEC-NH has been drawn from the D. Dietrich Associates, Inc. The Dietrich Associates are industry experts in providing national, regional and local level salary information for the engineering industry. This information has shown that New England consultant salaries have increased on average 3.1% per year since 2002. The Consumer Price Index (CPI) has increased 2.2% per year since 2002. Even NHDOT salaries have increased on average 2.1% per year since 2002. Simply based on the CPI, the 2002 \$50 per hour rate is equivalent to \$65.85 per hour in today's dollars.

Information provided shows that over 30 state DOT's have no salary cap, and of the New England states that have a cap the salary cap is: NH \$50, ME \$50, RI \$55, MA \$70 (indexed), CT and VT have no cap. The Federal government also does not cap salary rates.



Based upon 8 current NHDOT projects under design, the data shows that typically between 15-20% of the total design hours on a project are capped. This translates down from Principal Engineer, through to Project Manager, and even down to Senior Engineer hours. The hours and staff that tend to be capped are those with the most experience and design knowledge. The cap restricts the hours those staff can contribute to the design efforts and pass on their institutional knowledge and experience to the younger less experienced staff members.

ACEC-NH has proposed that the maximum direct labor hourly rate be increased to \$60.00 per hour.

The Committee has considered the proposal by ACEC-NH, gathered additional information and discussed the ramifications to our existing and future contracts if the salary cap is increased.

The data shows that if the cap was placed at \$60 per hour, those same 8 design contracts above would have 5% or less of their total design hours capped, basically equivalent to the hours charged by the highest labor classification (the Principal in Charge, Office Manager, etc.) shown in the typical fee proposal matrix.

The following is a comparison of average salary rates of higher level NHDOT versus equivalent NE Consultant Firm salaries:

	NHDOT Salaries	NE Consultant Firms Salaries	
CE 7 (LG 34 Step 8)	\$ 50.28	\$ 77.53	Engineer 8
CE 6 (LG 32 Step 8)	\$ 46.29	\$ 61.38	Engineer 7
CE 5 (LG 30 Step 8)	\$ 42.30	\$ 53.04	Engineer 6
CE 4 (LG 27 Step 8)	\$ 36.65	\$ 49.17	Engineer 5

The table shows the wide disparity between the pay rates but also shows that the salary cap on the consultant side reaches down from the highest levels down to a point where it is beginning to affect the engineer (CE 4/Engineer 5) who routinely works on the project day in and day out.

The Committee looked at the effect the cap increase would have on typical projects. The \$10 per hour increase would also translate into an estimated \$15.00 per hour (based on 150% OH rate) increase in OH pay, plus a \$2.50 (based on 10% profit) profit increase per hour. This would total a potential \$27.50 per hour increase for every hour that was capped at \$50 per hour and is now increased to \$60 per hour. On most of the projects we reviewed the actual amount of increase would be somewhat less than \$27.50 because not every hour capped at \$50/hour would still be capped at \$60/hour.



It should be noted that previously firms could use the "unbillable" fee that was capped in their firm's overhead calculation. The accounting principles have changed and that practice is no longer acceptable, so capped hours/fee are unrecoverable costs.

The table below shows what the ramifications of increasing the cap from \$50/hour to \$60/hour, using 6 of the current design contracts, would typically have on a project.

Firm	Total Hours	Total Fee	Hours Capped at \$50/Hr.	Hours Capped at \$60/Hr.	Increased Fee	% Increase in Contract Cost
CHA/MJ	16237	\$ 1,731,015.28	1925	1664	\$ 52,274.69	3.02%
FST	10228	\$ 1,115,421.81	1804	538	\$ 22,625.30	2.03%
HTA	10867	\$ 1,049,694.74	1080	0	\$ 7,240.71	0.69%
MJ	3519	\$ 343,537.00	529	35	\$ 6,678.00	1.94%
PB	90341	\$ 9,538,776.65	13404	3794	\$155,101.86	1.63%
VHB	10147	\$ 792,193.24	1565	1355	\$ 41,972.04	5.30%

(see Table 4 in ACEC-NH presentation for complete table information)

From the table above we can see that an increase from \$50/hour to \$60/hour would typically have less than a 5% increase in total contract cost. The benefit would be that the most experienced and knowledge consultant staff would then be more readily available to aid in the review and oversight of the project design.

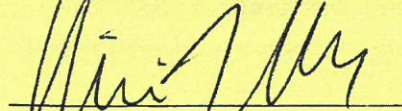
**Recommendation:** Based on the fact that the existing \$50/hour cap: 1) Is affecting the consultant management and oversight of their existing contracts, 2) Won't appreciably affect the total contract cost, and 3) Has not been increased in 14 years, the Committee recommends the maximum direct labor rate be increased from \$50/hour to \$60/hour immediately upon approval.

We would also recommend that the rate increase be applied to any new contract where the fee hasn't been approved yet by the Assistant Commissioner. This would relate to using the new cap for any new contracts, any contract amendment even if the original fee had the \$50/hr. cap included, or any future contract of a multi-phased contract (currently in a Part A contract (old cap) but when negotiating Part B would use the new cap). Any existing contract with an approved fee using the \$50/hr. cap will not be re-calculated or amended for the sole purpose of adjusting the contract for the new cap rate.



For those firms that employ specialized topic experts the salary cap waiver request is still an avenue for them to request the Department waive the salary cap for those specific employees. As is customary those requests would be vetted through the Front Office for Assistant Commissioner approval.

Respectfully submitted,



William J. Oldenburg, PE  
Assistant Director of Project Development  
Consultant Selection Committee Chair

**AFTER APPROVAL**

Consultant Master File  
Consultant Committee Members